

Chair AGM Address

Ladies and gentlemen

Welcome to Thorn's 10th annual meeting as an ASX listed company. This anniversary presents an opportunity to reflect on what we've achieved since we listed nearly 11 years ago as well as point out that the ongoing fundamental strengths of the business have guided some of our decisions this year and underpin your Board's confidence in the future.

I'll just mention a few aspects of the group's history that reinforce the successful business model we represent. The origins of the names Radio Rentals and Thorn come from the UK. Radio Rentals began as a business in Brighton, Sussex in 1930 and it wasn't long after, in 1937 that the first Radio Rentals store in Australia opened, in Market Street, Sydney. The Thorn name derives from Jules Thorn who was born in Austria in 1899. After completing a degree in business management at the University of Vienna he moved to England in 1928 and began a business which imported light bulbs and radio components and then moved into renting radios. Mr Thorn was a successful entrepreneur, was knighted in 1964 and his business expanded significantly when he anticipated the popularity of colour television in 1967. When Thorn took over Radio Rentals in 1968 the group became the world's largest television rental company, controlling just under one-third of the 7.5 million televisions in Britain. It was Thorn's decision to exit its overseas operations in 1998 that paved the way for the operation in Australia to become independent.

When Thorn, as an independent company listed on the ASX in December 2006, its single business was the consumer leasing operation Radio Rentals. This business had a strong history and loyal customer base, people who valued the opportunity to have access to household goods in a way they could afford as far as it suited their circumstances to rent rather than buy. Not long before listing it had launched its successful "Rent, Try, \$1 Buy" campaign, giving customers the option of purchasing rented equipment after a set term. On listing, Radio Rentals had 67 stores.

The group today has lived up to its promises; with over 90 outlets nationally, a strong online presence and more potential with the strong growth of Thorn Business Finance. For just as Radio Rentals has been a market leader in consumer leasing for many years, the Thorn name is now emerging as a logical alternative for many small businesses as they seek to both lease new equipment and manage their cash flows in a smarter way.

Thorn's financial performance in FY16 is well known to you – revenue up 3.5 per cent to \$304 million and reported profit after tax down 34 per cent to \$20.1 million. However, there's four important features to note about these results:

- Underlying profit was steady at \$30.3 million;
- Three significant negative items, totalling \$11.8 million pre-tax, affected results. The bulk of these involving strategic decisions deemed necessary to reset the business platform for growth;
- Results from Thorn Business Finance involved a doubling of revenue, EBIT and contribution to group earnings; and
- The combination of all these things gave the board the confidence to post a strong second half dividend, with dividend for the year at 11.5 cents, just 0.25 of a cent lower than last year at 11.75 cents.

Two issues have affected our business landscape this year, The Treasury Review of Small Amount Credit Contracts and Consumer Leasing together with an ongoing dialogue with ASIC.

With the Treasury Review, we actively engaged with the Review Panel in meetings and presentations, in our own right as Thorn, and together as part of an industry group. The report has been tabled and our engagement with government remains ongoing. Thorn's position is that the proposed caps on consumer lease pricing do not affect the viability of our business. We have already started to work through our product offering to respond to these developments. We are however discussing with government how the advocated income threshold rules, which govern the percentage of income that can be devoted to consumer lease payments irrespective of the provider, might work in practice. We think there is scope to refine the proposals so that people who need to rent household goods and have the means to afford it, can participate.

In relation to ASIC, we continue to evolve and enhance our responsible lending policies and practices to ensure they meet what the law requires. ASIC is looking at our industry with greater intensity than ever before. We also remain in discussion with the regulator over some issues from the past, which we discussed in more detail in the Annual Report... ASIC's investigation and engagement with Thorn is ongoing.

I want to mention and thank our board and management team. Today we introduce to you a newly appointed director, Belinda Gibson, who has had a distinguished legal career, including Deputy Chairman of ASIC. Her background was summarised more extensively in the Annual Report and we are fortunate indeed that she has consented to join our Board. Today we also farewell our friend and colleague Peter Henley who has been a director of Thorn for nine years and wish him well in retirement. Thank you Peter for your contribution and wise counsel at the Board. You have always been willing to give of your years of experience in the finance industry to assist and guide management. I personally thank you for the support you have given me as Chair.

We thank our Managing Director, James Marshall, for his diligence in a difficult year. The organisation is in a much stronger position today having expanded its senior leadership team which now includes the additional roles of Chief Operating Officer, General Counsel and Chief Risk Officer. This is a soundly structured management team, capable of guiding and leading the business on an improved growth path over the coming years.

I want to conclude by reinforcing the positive view the Board has of our company's future. This is based on the fundamental strengths of our operations in consumer leasing and business finance and the management team we have in place to drive positive outcomes. For shareholders, we have demonstrated a confident dividend outlook and we look forward to sharing further the rewards of a growing business.

I will now ask our Managing Director, James Marshall, to comment on the themes and operational aspects of the business.

Ms Joycelyn Morton
Chair, Thorn Group Limited
